

LBNL – PROCUREMENT STANDARD PRACTICES

Section: 42 Subcontract Administration

Subject: 42.4 Subcontract Closeout

PURPOSE	This standard practice (SP) defines the procedures and establishes the documentation for closing out subcontracts in a timely manner.
POLICY:	Because the closing of subcontracts eliminates the Laboratory's liability, it is imperative that closeout commence and be completed as soon as possible after the subcontract is physically complete, unless some unique or peculiar circumstances preclude the closing.
SCOPE:	This SP applies to all subcontracts.
Exception	Even though a subcontract may have expired and be physically complete, the subcontract may not be closed if it is: <ul style="list-style-type: none">• In litigation or under appeal or• Being terminated and all actions are not complete.
DEFINITIONS:	
Acceptance	Acceptance constitutes acknowledgment that the supplies or services conform with applicable subcontract requirements for quantity and quality. Acceptance may take place before, at the time of, or after delivery, depending upon the provisions of the subcontract.
Closeout	Closeout is the process of reviewing the subcontract file to ensure that all requirements of the subcontract have been satisfied, to settle all outstanding contractual issues, and to complete all outstanding documentation requirements (e.g., all items are delivered, services are rendered, government furnished property is accounted for, and funds deobligated). Closeout follows physical completion and includes all the activities described in this procedure up to and including issuing final payment and preparing the subcontract file for archiving.
Physical Completion	Physical completion or physically complete means that the subcontractor has provided the required deliverables and the Laboratory has accepted these items; the subcontractor has performed all required services and the Laboratory has accepted these services; the term of the subcontract, including any option periods, has expired; or the Laboratory has given the subcontractor a notice of complete subcontract termination (see SPs 49.1, <i>Termination for Convenience</i> , and 49.2, <i>Termination for Default</i>).
PROCEDURES:	
Contents	Subcontract files must comply with the requirements of SP 4.3, <i>Documentation Requirements</i> . Files should be organized and indexed to facilitate management review and/or audit of the file after archival.
Criteria for Closeout Procedures	For many subcontracts, the subcontract can be closed when the procurement specialist receives evidence of physical completion and/or evidence of final payment.

**Elements
Requiring
Disposition**

Other subcontracts require further action and resolution before subcontract closeout. A review of the subcontract should be performed to determine the actions necessary to satisfy the subcontract requirements. Some of the elements of a subcontract which will require disposition before closeout include:

- Acceptance of subcontract performance;
- Classified information and security clearances;
- Patent rights;
- Government-furnished or subcontractor-acquired property (see SP 45.1, *Government Property*);
- Finalization of cost rates;
- Reconciliation of payment history for high value (>\$1 million) non-commercial blanket subcontracts requiring payment certification (see SP 32.1, *Payments*).

Follow the procedures below to resolve those elements that are relevant to a particular subcontract.

Time Standards

Laboratory subcontracts shall adhere to the following time standards for closeout:

- Small purchases (< \$100,000): When evidence for receipt is obtained and payment is made.
- Firm fixed price subcontracts other than small purchases and high value (>\$1 million) non-commercial blanket subcontracts: Within six months of physical completion.
- Labor hour, time and material, high value (>\$1 million) blanket subcontracts for other than commercial item, and cost reimbursement subcontracts: Within 20 months of physical completion; 36 months if settlement of indirect cost rates is required.

Quick Closeout

To reduce administrative costs, procurement specialists may, with supervisory concurrence, negotiate the settlement of indirect costs for a specific subcontract in advance of the final indirect rate determination if the following criteria are met:

- The subcontract is physically complete;
- The amount of unsettled indirect cost for the particular subcontract does not exceed \$1 million; and
- Agreement can be reached on a reasonable estimate of allocable expenditures in accordance with the subcontract's cost allowability and payment provisions.

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Deobligating Funds	Upon physical subcontract completion, incurred costs should be reviewed against obligated funding and final invoice to determine whether excess funds can be deobligated.
Acceptance of Subcontract Performance	When the subcontract is physically complete, the requester should be contacted by the procurement specialist to verify in writing that all work and/or deliverables are satisfactory. The requester should be asked to identify, in writing, all government-furnished property, subcontractor-acquired property, drawings, designs, specifications, publications, etc., that require disposition prior to closeout.
Subcontractor's Obligations	The subcontractor should be notified in writing of its obligations for closeout. These obligations may include arranging for disposition of government property, drawings, designs, specifications, and publications and submittal of a release of claims, patent certification, and final invoice. For fixed-price-level-of-effort subcontracts, a certification that the subcontractor expended the minimum level of effort is required.
Office of Scientific and Technical Information (OSTI)	Two copies of all scientific and technical information must be forwarded to OSTI (see SP 4.4, <i>OSTI Reporting System</i>). The subcontract file may not be closed until transmittal of the information to OSTI has been documented.
Patent Clearance	For subcontracts containing a <i>Patent Rights</i> clause, a patent clearance must be obtained before final payment may be issued. Request a patent certification from the subcontractor and forward the certification to Laboratory Counsel - Intellectual Property for clearance.
Security Issues	When the subcontract is physically complete, request the return of all security badges and any classified information in the subcontractor's possession or transfer accountability of the badges and/or classified information to another subcontract.
Foreign Ownership, Control, or Influence	For subcontracts subject to Foreign Ownership, Control, or Influence, notify the Security and Nuclear Safeguards Division of DOE by memorandum within 30 days that the subcontract is complete (see SP 4.5, <i>Foreign Ownership, Control, or Influence</i>).
Government Property	Upon physical completion of the subcontract, disposition of all government-furnished and subcontractor-acquired property must be coordinated with the requester, the subcontractor, and Property Management. Follow the procedures in SP 45.1, <i>Government Property</i> , regarding disposition of Government property.
Post-Performance Audit of Cost-Type Subcontracts	A determination of whether a post-performance cost audit is required must be made for all cost-reimbursable subcontracts (see SP 42.2, <i>Post Award Cost Audits</i>). Acceptance of the subcontractor's final costs, including any post-performance audits and negotiations, must be documented in the subcontract file.

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**Release of Claims
and Assignment of
Refunds, Rebates,
and Credits**

For cost-reimbursement subcontracts containing an *Allowable Cost and Payment* clause and subcontracts for construction, obtain from the subcontractor a release of claims and an assignment of refunds, rebates, and credits prior to issuance of final payment or releasing retention.

Final Payment

As appropriate for the type of subcontract, a percentage of the subcontractor's invoiced amounts or the actual value of open items may be withheld pending receipt of all deliverables and/or closeout documents from the subcontractor. Final payment cannot be authorized until the appropriate closeout actions and documents have been completed and/or received.

Archival

All actions required for closeout must be documented in the subcontract file. Upon completion of all actions, purge the file of redundant or duplicate material, prepare the subcontract file, and forward the subcontract file to Archives and Records for archiving.

RESPONSIBILITIES:

**Procurement
Specialist**

Upon physical completion of the subcontract, the procurement specialist will ensure that:

- The subcontract is either closed or the closeout process is initiated;
- Subcontract funding is reviewed to determine whether excess funding can be deobligated;
- Transmittal of scientific and technical information to OSTI is documented in the subcontract file.
- Each closeout action is appropriately resolved and documented in the subcontract file;
- For cost-reimbursement subcontracts:
 - Determination of the subcontractor's final costs is documented;
 - The release of claims and assignment of refunds, rebates, and credits are obtained; and
 - Final payment, including any withheld amount, is released; and
- The subcontract is forwarded for archiving.